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December 16, 2003

The Honorable Robert B. Zoellick  
United States Trade Representative  
600 17th Street, N.W.  
Washington, DC 20508

Dear Ambassador Zoellick:

I want to commend you for entering into negotiations with the Central American countries of Honduras, Guatemala, Nicaragua, El Salvador and Costa Rica. These countries are important allies and trading partners of the United States. As you know, I serve on the Congressional Oversight Group on trade which was created through the landmark Trade Promotion Authority legislation in the 107<sup>th</sup> Congress. In this capacity I have been closely following the Central American Free Trade Agreement (CAFTA) negotiations as they relate to trade in financial services.

I am encouraged that you and your counterparts in the CAFTA countries have negotiated several good faith offers to allow access for U.S. financial institutions into these markets. Commitments on improved regulatory transparency, as well as improved branching rights and the ability to offer multiple business lines, when combined with the market access provisions, will increase the availability of capital in the CAFTA countries and will foster economic growth.

I am writing today, however, to express concern regarding the position Costa Rica is taking regarding access to its insurance market. Specifically, I understand that Costa Rica has been reluctant to include within the CAFTA commitments to provide U.S. firms with meaningful access to its insurance sector. I have been briefed on the most recent U.S. offer to Costa Rica. I believe that this offer, while quite minimal compared to other offers that have been approved by Costa Rica's neighbors, is an acceptable compromise. This offer will enable Costa Rica to maintain components of its insurance monopoly, including its compulsory business lines which constitute nearly 70% of its total premium volume, through 2015. As a strong advocate of free trade, I would prefer full establishment rights and immediate access to all lines of business. I believe that the Costa Rican insurance monopoly goes against the very spirit of these trade negotiations. However, I understand that it is important to show flexibility in order to obtain an agreement with this important trading partner.

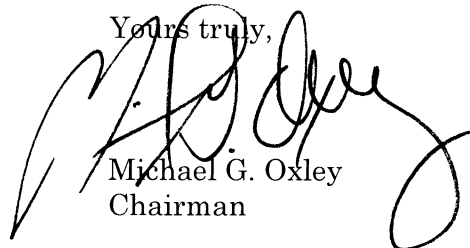
I am particularly concerned about the situation regarding these financial services issues since I understand that Costa Rica may grant access to its telecom monopoly, but may not grant the same access to its insurance monopoly. I strongly urge you and your negotiating team to ensure that no monopolies are permitted to endure in this age of open borders and free trade. I also strongly urge you and your negotiating team to devote equal importance to the financial services matters that remain on the table. I would be deeply disappointed if it seemed that elimination of the telecommunications monopoly were achieved only by sacrificing similar progress in a key component of the financial services market.

It is my hope that the CAFTA negotiations would generate a unified agreement between the United States and the five Central American countries instead of five bilateral agreements, or even worse, excluding one of the countries because it was unwilling to open its protected markets. Although I understand that each country has a unique position in the global economy and concessions must be made accordingly, I do not believe that maintenance of an insurance monopoly in Costa Rica qualifies as a unique economic position that must be maintained. Increased access to affordable insurance products will allow Costa Rican businesses to develop and expand while reducing risk.

In a global financial services marketplace, ring-fencing a domestic market is at best a misplaced protectionist strategy that will only undermine the local market. Without the kind of market access for insurance activities currently under negotiation in the CAFTA, Costa Rica may find itself in a position where its neighbors become the preferred countries for U.S. financial firms to establish and expand their businesses. Continued commitment to the insurance monopoly in Costa Rica could thus undermine the local economy. It could also undermine Costa Rica's ability to exercise appropriate local prudential supervision of insurance activities as access to other insurance providers in nearby countries within the CAFTA could create incentives for local companies and individuals to seek coverage outside the borders of Costa Rica. I trust you and your negotiating team will be able to impress these points upon your counterparts in Costa Rica.

Thank you for your hard work on this agreement and I look forward to your reply.

Yours truly,

A handwritten signature in black ink, appearing to read "M. Oxley", is written over the typed name and title.

Michael G. Oxley  
Chairman

Cc: The Honorable William M. Thomas  
Chairman  
The Committee on Ways and Means

The Honorable Charles Grassley  
Chairman  
The Committee on Finance